

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Menominee County</b>	County <b>Menominee</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>1/25/06</b>	Date Accountant Report Submitted to State: <b>3/31/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Co., P.L.C.</b>			
Street Address <b>901 Ludington Street</b>	City <b>Escanaba</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>Anderson, Tackman &amp; Company P.L.C.</i>		Date <b>3/31/06</b>	

**COUNTY OF MENOMINEE, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2005**

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners  
County of Menominee  
Menominee, Michigan 49858

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Menominee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Menominee County Road Commission, which represents 100 percent of the activity of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Menominee County Road Commission, is based on the report of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2006, on our consideration of the County of Menominee, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 13, 50 and 52, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Menominee's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County of Menominee, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company P.L.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

January 25, 2006

## **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Menominee County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2005. Please read it in conjunction with the County's financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- Net assets for the County were reported at \$11,334,469, an increase of \$398,757 (3.6%) over 2004. Net assets for our business-type activities were \$2,188,372 or 19% of total net assets, while net assets in our governmental activities were \$9,146,097 or 81% of total net assets.
- The County's expenses for the year totaled \$8,904,705, an increase of \$139,812 (1.6%) over 2004, while revenues from all sources totaled \$9,303,462 an increase of \$996,490 (12.0%). Expenses remained relatively level, while the primary increase in revenue for 2005 was the addition of the July General Fund tax levy which amounted to additional tax revenue of \$1,209,753.
- The General Fund reported a decrease in fund balance of \$93,645, representing a decrease in fund balance of 2.4%. This was after revenues of \$5,575,734 compared to \$5,725,746 in 2004, and expenditures of \$5,635,154 compared to expenditures of \$5,621,760 in 2004. In 2004, the County received \$442,821 in State Revenue Sharing payments, in 2005 the County transferred \$453,006 from the Revenue Sharing Reserve Fund in-lieu of receiving State revenue sharing.

### **USING THIS REPORT**

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

## **Reporting the County as a whole**

### **Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets, the difference between assets and liabilities, as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The P.A. 123 foreclosure activity and the collection of delinquent property taxes primarily make up these activities.

The County also presents one legally separate component unit, the County Road Commission. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

## **Reporting the County's Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.



- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

### **The County as a Trustee**

The County is the trustee, or *fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## The County as a Whole

The County's net combined assets increased by \$398,757.

**Table 1**  
**Net Assets**

	Governmental Activities 2004	Governmental Activities 2005	Business-Type Activities 2004	Business-Type Activities 2005
Current and other assets	\$ 6,798,728	\$ 7,146,265	\$ 2,395,683	\$ 2,402,215
Capital assets (net)	2,975,329	3,071,699	-	-
Total Assets	<u>9,774,057</u>	<u>10,217,964</u>	<u>2,395,683</u>	<u>2,402,215</u>
Long-term debt outstanding	543,024	547,114	-	-
Other liabilities	465,003	524,753	226,001	213,843
Total Liabilities	<u>1,008,027</u>	<u>1,071,867</u>	<u>226,001</u>	<u>213,843</u>
Net Assets:				
Invested in capital assets, net of related debt	2,975,329	3,071,699	-	-
Restricted assets:				
Expendable	196,741	572,698	-	-
Unexpendable	-	2,159	-	-
Unrestricted	5,593,960	5,499,541	2,169,682	2,188,372
Total net assets	<u>\$ 8,766,030</u>	<u>\$ 9,146,097</u>	<u>\$ 2,169,682</u>	<u>\$ 2,188,372</u>

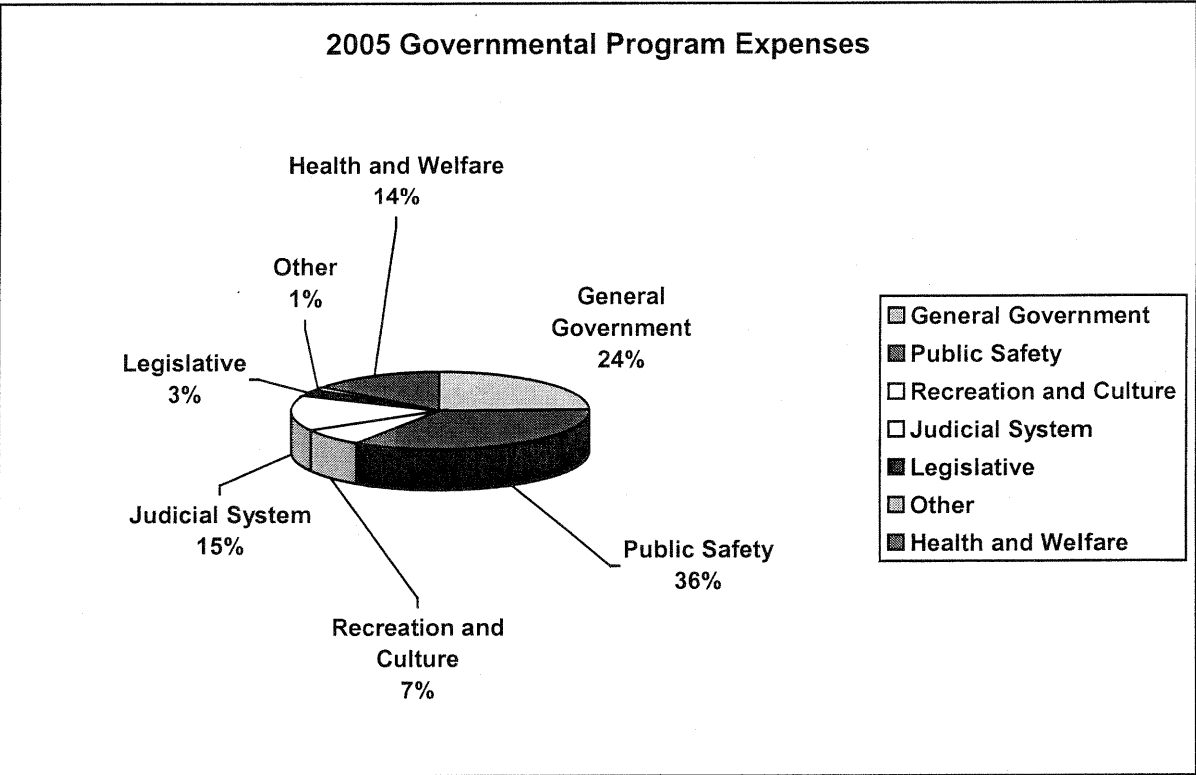
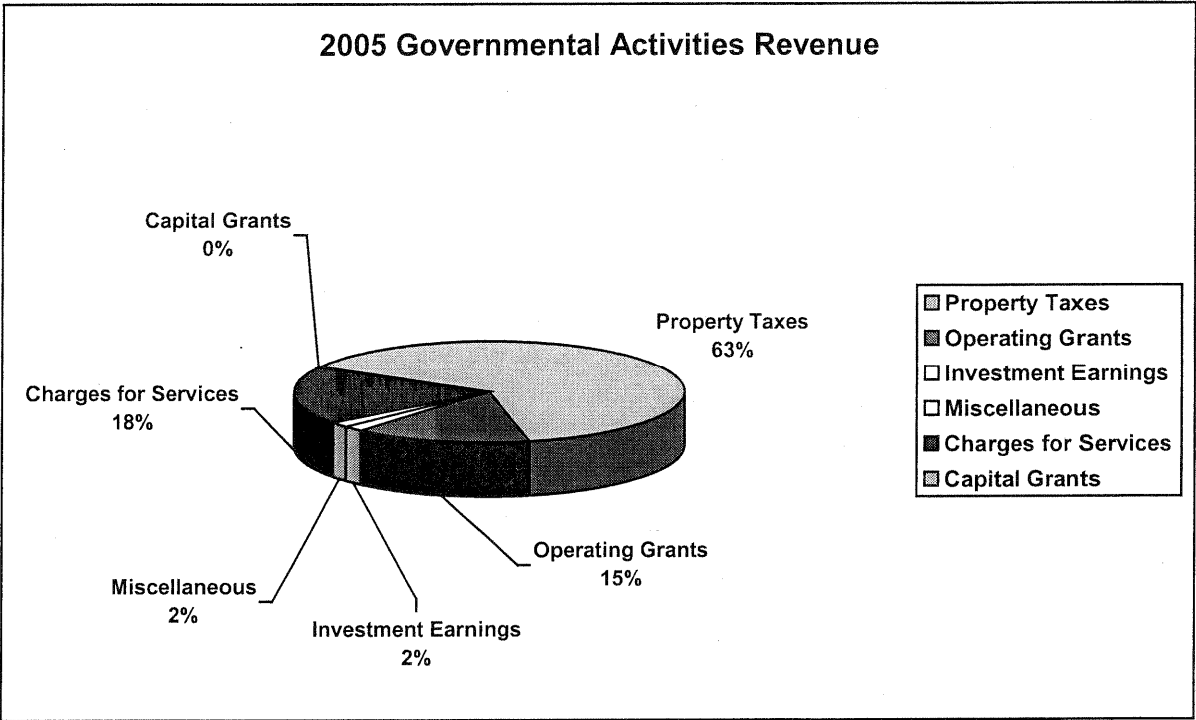
Net assets of the County's governmental activities stood at \$9,146,097. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$5,499,541.

Net assets in our business-type activities stood at \$2,188,372, which were entirely unrestricted as of September 30, 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities 2004	Governmental Activities 2005	Business-Type Activities 2004	Business-Type Activities 2005
<b>Revenues:</b>				
Program Revenues:				
Charges for services	\$ 1,671,523	\$ 1,654,668	\$ 247,923	\$ 235,814
Operating grants	1,175,511	1,343,903	-	-
Capital grants	175,141	33,222	-	-
General Revenues:				
Property taxes	4,391,805	5,745,433	-	-
State revenue sharing	442,821	-	-	-
Unrestricted investment earnings	57,350	142,478	-	-
Miscellaneous	144,898	147,944	-	-
Total Revenues	<u>8,059,049</u>	<u>9,067,648</u>	<u>247,923</u>	<u>235,814</u>
<b>Program Expenses:</b>				
Legislative	240,962	253,051	-	-
Judicial system	1,680,394	1,317,468	-	-
General government	1,843,368	2,180,562	-	-
Public safety	3,017,241	3,099,223	-	-
Health and welfare	1,206,098	1,279,497	-	-
Recreation and culture	631,988	643,807	-	-
Community & economic development	-	20,000	-	-
Other	136,771	106,774	-	-
P.A. 123 foreclosure	-	-	7,974	2,360
Delinquent tax revolving	-	-	97	1,963
Total Expenses	<u>8,756,822</u>	<u>8,900,382</u>	<u>8,071</u>	<u>4,323</u>
Excess (deficiency) before transfers and contributions	(697,773)	167,266	239,852	231,491
Transfers	<u>216,651</u>	<u>212,801</u>	<u>(216,651)</u>	<u>(212,801)</u>
Increase (decrease) in net assets	(481,122)	380,067	23,201	18,690
Net assets - beginning	<u>9,247,152</u>	<u>8,766,030</u>	<u>2,146,481</u>	<u>2,169,682</u>
Net assets - ending	<u>\$ 8,766,030</u>	<u>\$ 9,146,097</u>	<u>\$ 2,169,682</u>	<u>\$ 2,188,372</u>

Governmental Activities



## Governmental Activities

Revenues for the County's governmental activities totaled \$9,280,449, while expenses were \$8,900,382. The excess of revenue over expenses was \$380,067, significant efforts have been made to contain cost as an insurance plan change, and employee co-pay of premium has been negotiated and/or implemented for all groups with the exception of District Court being handled by the Judge, and the sheriff's 2 person administrative unit scheduled for arbitration. Additionally, the County has reduced one full time position at the sheriff's department by attrition due to the retirement of the road sgt., and reduced a part time position in the building code enforcement dept. The County is looking to reduce costs even further by attrition with several expected retirements. Expenses are monitored on a monthly basis, and reductions if warranted and needed, will need to occur to bring expenses and revenue in line. Revenues have been significantly lower, particularly in the District Court, these must be closely monitored as well.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Recreation and Culture, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Government Activities**

	Total Cost of Services 2004	Total Cost of Services 2005	Net Cost of Services 2004	Net Cost of Services 2005
Public safety	\$ 3,017,241	\$ 3,099,223	\$ 2,023,690	\$ 2,327,608
General government	1,843,368	2,180,562	1,420,146	1,763,110
Judicial system	1,680,394	1,317,468	574,811	164,259
Health and welfare	1,206,098	1,279,497	993,531	889,281
Recreation and culture	631,988	643,807	346,693	344,506
Totals	<u>\$ 8,379,089</u>	<u>\$ 8,520,557</u>	<u>\$ 5,358,871</u>	<u>\$ 5,488,764</u>

## Business-Type Activities

The County's business-type activities net assets totaled \$2,188,372, with an increase in the current year of \$18,690.

## THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

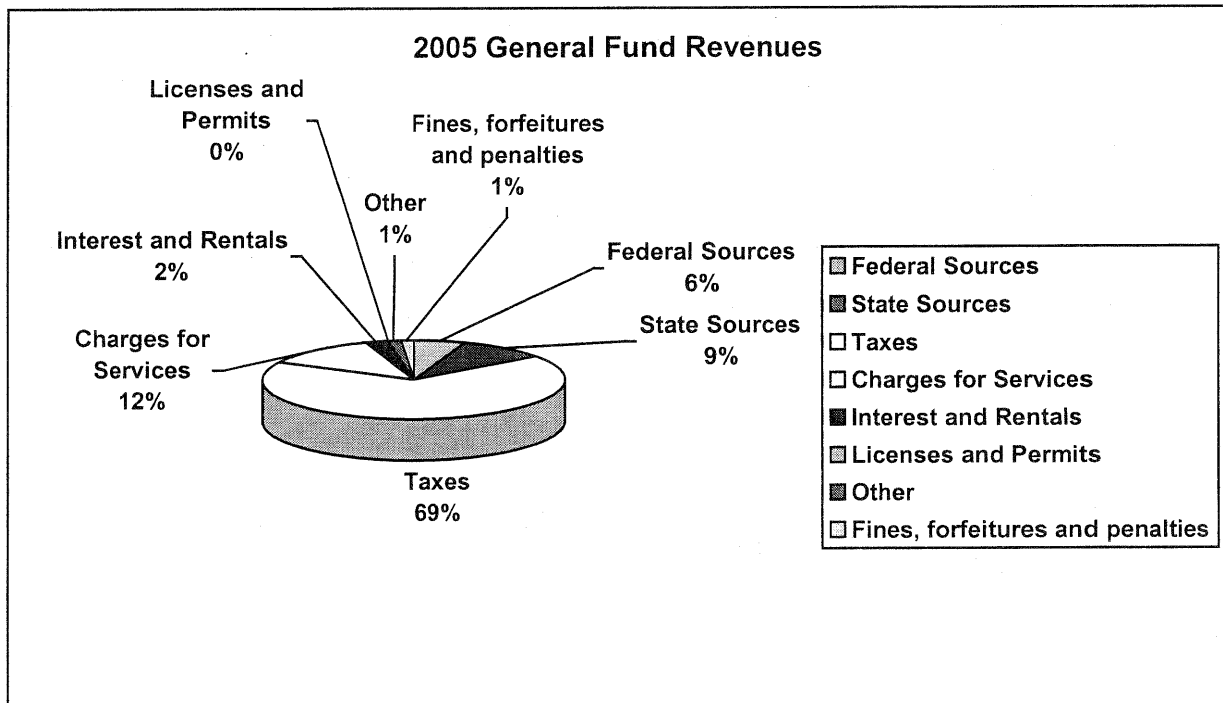
For the current fiscal year the County's governmental funds reported total fund balance of \$4,526,194, of which, \$4,506,495 was unreserved. The General Fund unreserved fund balance amounted to \$3,853,878, with \$2,835,459 designated for future expenditures. The General Fund had a decrease in fund balance of \$93,645, representing a decrease of 2.4% over the prior year fund balance.

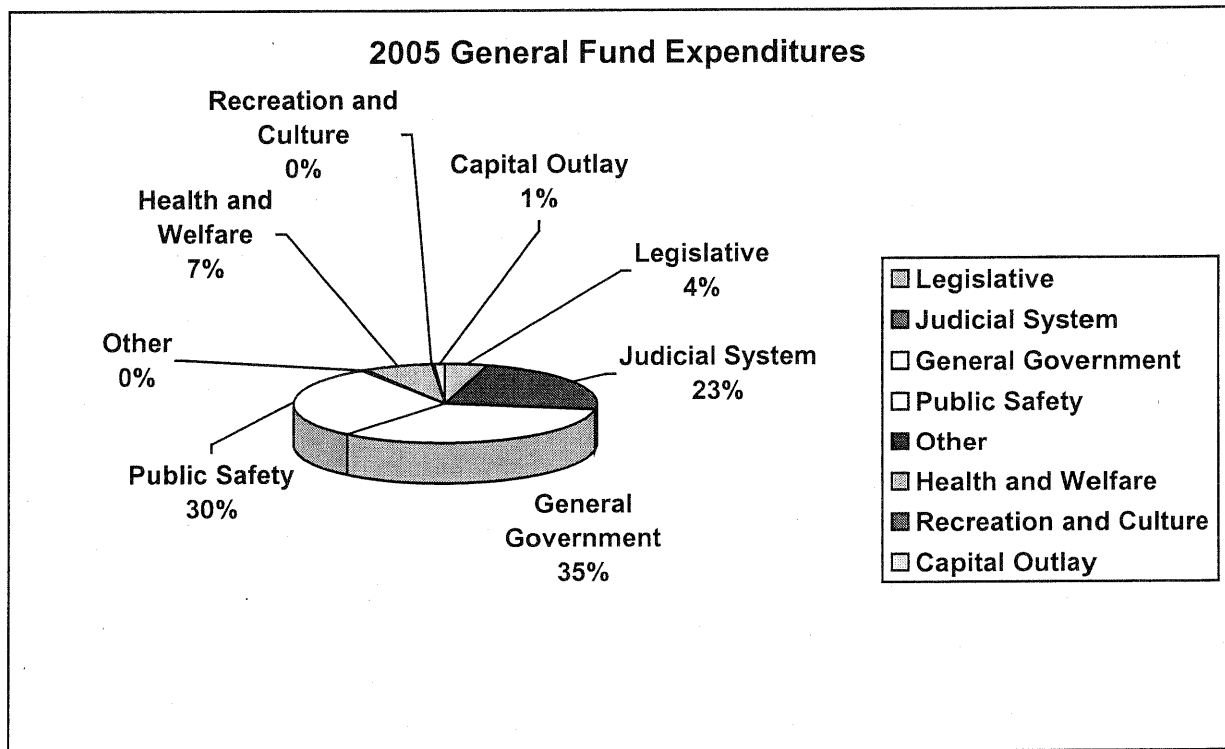
In fiscal year 2005, in accordance Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to supplement the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2005, the County placed \$1,159,297 in property taxes from the December 2004 levy into the Revenue Sharing Reserve Fund and also transferred \$453,006 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property taxes, the Act allowed the County to levy one-third of their property tax levy in July and that amount has been recognized as revenue in the General Fund.

### General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$34,708, representing a decrease of less than 1%. The budgeted expenditures of the final amended budget increased by \$87,568 over the original budget, representing an increase of 1.5%. The original budget projected a deficit of \$374,128, while the actual results showed a decrease to fund balance of \$93,645. This was due in part to the before mentioned budgeted insurance savings/premium share, which have occurred as well as the before mentioned reductions in staffing by attrition which have occurred.

### General Fund





## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2005, the County had \$3,071,699, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks and land. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(net of accumulated depreciation)**

	Governmental Activities 2004	Governmental Activities 2005
Land	\$ 193,709	\$ 193,709
Land Improvements	71,667	69,348
Buildings and improvements	1,955,939	1,959,408
Machinery & Equipment	754,014	849,234
Total	<u>\$ 2,975,329</u>	<u>\$ 3,071,699</u>

## DEBT

At year-end the County had a \$50,000 note outstanding.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities 2004	Governmental Activities 2005
Note payable to Wells Fargo Bank for community development revolving loan program	\$ 50,000	\$ 50,000
Compensated absences	396,953	395,381
Alternative retirement	260,412	267,438

There were no additions to long-term debt this fiscal year. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County is well below statutory limits.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of the future of State revenue sharing as well as other changes in State government which will effect the way programs and services are provided and funded. The economy in the Menominee County area appears to be flat in relation to job growth, and in fact seems to be losing some ground. The cost of living in the Menominee County area is at the national and State average. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2006 budget, and progress has been made by going to a less costly plan, with employees starting to share the premiums, while although limited in scope is a start of getting the issue in check.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Menominee County Courthouse, 839 10<sup>th</sup> Avenue, Menominee, Michigan, 49858.



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**September 30, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Road Commission
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,942,837	\$ 1,560,218	\$ 4,503,055	\$ 675,422
Investments	953,327	-	953,327	1,147,287
Receivables:				
Accounts	61,613	78,090	139,703	183
Taxes	504,377	-	504,377	-
Delinquent taxes	-	561,724	561,724	-
Interest	6,969	61,753	68,722	-
Due from other governmental units	117,544	-	117,544	1,012,224
Internal balances	220,801	-	220,801	-
Prepays	81,386	-	81,386	-
Inventory	-	-	-	588,733
Total current assets	<u>4,888,854</u>	<u>2,261,785</u>	<u>7,150,639</u>	<u>3,423,849</u>
Noncurrent assets:				
Delinquent taxes	-	140,430	140,430	-
Equity interest in Twin County Airport	2,257,411	-	2,257,411	-
Capital assets, net of accumulated depreciation	<u>3,071,699</u>	<u>-</u>	<u>3,071,699</u>	<u>28,696,885</u>
Total noncurrent assets	<u>5,329,110</u>	<u>140,430</u>	<u>5,469,540</u>	<u>28,696,885</u>
Total assets	<u>\$ 10,217,964</u>	<u>\$ 2,402,215</u>	<u>\$ 12,620,179</u>	<u>\$ 32,120,734</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 276,919	\$ 1,042	\$ 277,961	\$ 513,768
Accrued payroll	82,129	-	82,129	-
Internal balances	-	212,801	212,801	-
Due to other governmental units	-	-	-	3,175
Deferred revenue	-	-	-	11,495
Long-term liabilities due within one year:				
Compensated absences	<u>165,705</u>	<u>-</u>	<u>165,705</u>	<u>-</u>
Total current liabilities	<u>524,753</u>	<u>213,843</u>	<u>738,596</u>	<u>528,438</u>
Long-term liabilities:				
Advances	-	-	-	271,183
Compensated absences	<u>497,114</u>	<u>-</u>	<u>497,114</u>	<u>287,237</u>
Notes payable	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total long-term liabilities	<u>547,114</u>	<u>-</u>	<u>547,114</u>	<u>558,420</u>
Total liabilities	<u>1,071,867</u>	<u>213,843</u>	<u>1,285,710</u>	<u>1,086,858</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debts	3,071,699	-	3,071,699	28,696,885
Restricted for:				
Expendable:				
Special revenue	<u>572,698</u>	<u>-</u>	<u>572,698</u>	<u>-</u>
County Roads	-	-	-	2,336,991
Unexpendable	<u>2,159</u>	<u>-</u>	<u>2,159</u>	<u>-</u>
Unrestricted	<u>5,499,541</u>	<u>2,188,372</u>	<u>7,687,913</u>	<u>-</u>
Total net assets	<u>9,146,097</u>	<u>2,188,372</u>	<u>11,334,469</u>	<u>31,033,876</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,217,964</u>	<u>\$ 2,402,215</u>	<u>\$ 12,620,179</u>	<u>\$ 32,120,734</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Legislative	\$ 253,051	\$ -	\$ -	\$ -	\$ (253,051)	\$ -	\$ (253,051)	\$ -
Judicial system	1,317,468	408,528	744,681	-	(164,259)	-	(164,259)	-
General government	2,180,562	349,033	68,419	-	(1,763,110)	-	(1,763,110)	-
Public safety	3,099,223	558,044	180,349	33,222	(2,327,608)	-	(2,327,608)	-
Health and welfare	1,279,497	55,042	335,174	-	(889,281)	-	(889,281)	-
Recreation and culture	643,807	284,021	15,280	-	(344,506)	-	(344,506)	-
Community and economic development	20,000	-	-	-	(20,000)	-	(20,000)	-
Other	106,774	-	-	-	(106,774)	-	(106,774)	-
Total governmental activities	8,900,382	1,654,668	1,343,903	33,222	(5,868,589)	-	(5,868,589)	-
<b>Business-type activities:</b>								
P.A. 123 foreclosure	2,360	47,573	-	-	-	45,213	45,213	-
DTRF	1,963	188,241	-	-	-	186,278	186,278	-
Total business-type activities	4,323	235,814	-	-	-	231,491	231,491	-
Total primary government	8,904,705	1,890,482	1,343,903	33,222	(5,868,589)	231,491	(5,637,098)	-
<b>Component units:</b>								
Road Commission	\$ 5,682,404	\$ 840,100	\$ 3,543,314	\$ 1,835,808	-	-	-	536,818
General revenues:								
Property taxes					5,615,037	-	5,615,037	-
Grants and contributions not restricted to specific programs					195,400	-	195,400	-
Unrestricted investment earnings					142,478	-	142,478	-
Miscellaneous					82,940	-	82,940	156,825
Transfers					212,801	(212,801)	-	-
Total general revenues and transfers					6,248,656	(212,801)	6,035,855	156,825
Change in net assets					380,067	18,690	398,757	693,643
Net assets, beginning					8,766,030	2,169,682	10,935,712	30,340,233
Net assets, ending					\$ 9,146,097	\$ 2,188,372	\$ 11,334,469	\$ 31,033,876

See accompanying notes to financial statements

**COUNTY OF MENOMINEE, MICHIGAN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2005**

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 2,241,923	\$ 620,676	\$ 80,238	\$ 2,942,837
Investments	953,327	-	-	953,327
Receivables:				
Accounts	29,025	-	32,588	61,613
Taxes	504,377	-	-	504,377
Interest	5,832	1,137	-	6,969
Due from other funds	220,801	-	32,424	253,225
Due from State of Michigan	79,416	-	38,128	117,544
Prepaid expense	65,058	-	16,328	81,386
Total assets	<u>\$ 4,099,759</u>	<u>\$ 621,813</u>	<u>\$ 199,706</u>	<u>\$ 4,921,278</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 180,199	\$ -	\$ 96,720	\$ 276,919
Accrued payroll	61,994	-	20,135	82,129
Due to other funds	3,688	-	28,736	32,424
Deferred revenue	-	-	3,612	3,612
Total liabilities	<u>245,881</u>	<u>-</u>	<u>149,203</u>	<u>395,084</u>
<b>FUND BALANCES</b>				
Unreserved:				
Designated	2,835,459	-	-	2,835,459
Undesignated	1,018,419	621,813	-	1,640,232
Unreserved, reported as non-major:				
Special revenue funds	-	-	30,804	30,804
Reserved	-	-	19,699	19,699
Total fund balances	<u>3,853,878</u>	<u>621,813</u>	<u>50,503</u>	<u>4,526,194</u>
Total liabilities and fund balances	<u>\$ 4,099,759</u>	<u>\$ 621,813</u>	<u>\$ 199,706</u>	<u>\$ 4,921,278</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**September 30, 2005**

Total fund balances for governmental funds \$ 4,526,194

Total net assets reported for governmental activities in the statement of net assets  
is different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. Those assets consist of:

Land and land improvements	284,212	
Buildings and improvements	4,241,688	
Machinery and equipment	1,726,290	
Accumulated depreciation	<u>(3,180,491)</u>	
Total capital assets		3,071,699

The County maintains a 50% equity interest in the net assets of the Twin  
County Airport Commission. 50% of the net assets of the Twin County  
Airport Commission amounted to: 2,257,411

Long-term liabilities applicable to the County's governmental activities are not  
due and payable in the current period and accordingly are not reported as  
fund liabilities. Interest on long-term debt is not accrued in governmental  
funds, but rather is recognized as an expenditure when due. All liabilities,  
both current and long-term, are reported in the statement of net assets.

Notes payable	(50,000)	
Compensated absences	<u>(662,819)</u>	(712,819)

In the governmental fund statements, the County recorded monies received  
from a timber sale as a deferred revenue, this amount has been recognized  
as revenue in the statement of activities. 3,612

Total net assets of governmental activities \$ 9,146,097

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2005**

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 3,631,214	\$ 1,159,297	\$ 824,526	\$ 5,615,037
Licenses and permits	7,498	-	-	7,498
Federal sources	310,871	-	92,306	403,177
State sources	657,378	-	528,187	1,185,565
Local sources	9,408	-	121,768	131,176
Charges for services	678,196	-	653,303	1,331,499
Fines, forfeitures and penalties	79,799	-	94,681	174,480
Interest and rentals	128,414	14,064	1,935	144,413
Other	72,956	-	23,731	96,687
Total revenues	5,575,734	1,173,361	2,340,437	9,089,532
<b>EXPENDITURES:</b>				
Legislative	249,687	-	-	249,687
Judicial system	1,295,134	-	16,361	1,311,495
General government	1,901,397	98,542	209,474	2,209,413
Public safety	1,675,753	-	1,298,577	2,974,330
Health and welfare	417,828	-	861,287	1,279,115
Recreation and cultural	12,806	-	605,106	617,912
Community and economic development	20,000	-	-	20,000
Capital outlay	62,416	-	274,205	336,621
Other	133	-	-	133
Total expenditures	5,635,154	98,542	3,265,010	8,998,706
Excess revenues (expenditures)	(59,420)	1,074,819	(924,573)	90,826
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	672,089	-	706,314	1,378,403
Transfer out	(706,314)	(453,006)	(6,282)	(1,165,602)
Total other financing sources (uses)	(34,225)	(453,006)	700,032	212,801
Net change in fund balance	(93,645)	621,813	(224,541)	303,627
Fund balances - beginning of year	3,947,523	-	275,044	4,222,567
Fund balances - end of year	\$ 3,853,878	\$ 621,813	\$ 50,503	\$ 4,526,194

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2005**

Net changes in fund balances - total governmental funds	\$ 303,627
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$308,275) was exceeded by capital outlays (\$428,152).	119,877
The State of Michigan advanced the County its October 2004 revenue sharing payment which was accrued back to September 30th as revenue in the General Fund. This amount is payable back to the State of Michigan from the "Revenue Sharing Reserve Fund", a special revenue fund, which was not established as of September 30, 2004, therefore the amount received was recorded as an expense in the statement of activities in 2004. Therefore, the amount paid to the State in the current year will be reversed.	98,542
Under modified accrual, the County considers revenues that are available to finance current liabilities as those that are collected within sixty days. Revenues which were recorded in the government-wide financial statements in the prior year and received in the current year need to be reversed from the fund financial statements.	(25,496)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.	
Compensated absences	(13,454)
Revenue which was deferred in the fund financial statements but recognized in the government-wide financial statements.	3,612
Change in value of the equity interest in the airport on the government-wide financial statements.	(91,134)
Loss on the sale of assets which is recognized in the government-wide financial statements.	(15,507)
Changes in net assets of governmental activities	\$ <u>380,067</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2005**

	P.A. 123 Foreclosure	DTRF	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 79,772	\$ 1,480,446	\$ 1,560,218
Receivables:			
Accounts	218	77,872	78,090
Delinquent taxes	-	561,724	561,724
Interest	-	61,753	61,753
Total current assets	<u>79,990</u>	<u>2,181,795</u>	<u>2,261,785</u>
Noncurrent assets:			
Delinquent taxes	<u>-</u>	<u>140,430</u>	<u>140,430</u>
Total assets	<u><u>\$ 79,990</u></u>	<u><u>\$ 2,322,225</u></u>	<u><u>\$ 2,402,215</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 171	\$ 871	\$ 1,042
Due to other funds	<u>15,576</u>	<u>197,225</u>	<u>212,801</u>
Total liabilities	<u>15,747</u>	<u>198,096</u>	<u>213,843</u>
<b>NET ASSETS</b>			
Unrestricted	<u>64,243</u>	<u>2,124,129</u>	<u>2,188,372</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 79,990</u></u>	<u><u>\$ 2,322,225</u></u>	<u><u>\$ 2,402,215</u></u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2005**

	P.A. 123 Foreclosure	DTRF	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 47,573	\$ 47,819	\$ 95,392
Rental and interest income	-	140,422	140,422
	<u>47,573</u>	<u>188,241</u>	<u>235,814</u>
<b>OPERATING EXPENSES:</b>			
Supplies	436	1,188	1,624
Travel	255	-	255
Printing and publishing	1,429	-	1,429
Miscellaneous	240	775	1,015
	<u>2,360</u>	<u>1,963</u>	<u>4,323</u>
Total operating expenses	<u>2,360</u>	<u>1,963</u>	<u>4,323</u>
Operating income (loss)	<u>45,213</u>	<u>186,278</u>	<u>231,491</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Transfer out	<u>(15,576)</u>	<u>(197,225)</u>	<u>(212,801)</u>
Change in net assets	29,637	(10,947)	18,690
Total net assets - beginning	<u>34,606</u>	<u>2,135,076</u>	<u>2,169,682</u>
Total net assets - ending	<u><u>\$ 64,243</u></u>	<u><u>\$ 2,124,129</u></u>	<u><u>\$ 2,188,372</u></u>

See accompanying notes to financial statements.



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2005**

	P.A. 123 Foreclosure	DTRF	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 47,355	\$ 33,789	\$ 81,144
Receipts from interest and rents	-	131,706	131,706
Cash received for collection of taxes	-	1,245,940	1,245,940
Payments to suppliers	(2,332)	(10,299)	(12,631)
Cash payments for taxes	-	(1,360,448)	(1,360,448)
Other receipts (payments)	(25,689)	(26,729)	(52,418)
	<u>19,334</u>	<u>13,959</u>	<u>33,293</u>
Net cash provided (used) by operating activities			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfer out	(15,576)	(197,225)	(212,801)
	<u>3,758</u>	<u>(183,266)</u>	<u>(179,508)</u>
Net increase (decrease) in cash and equivalents			
Cash and equivalents, beginning of year	76,014	1,663,712	1,739,726
Cash and equivalents, end of year	<u>\$ 79,772</u>	<u>\$ 1,480,446</u>	<u>\$ 1,560,218</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 45,213	\$ 186,278	\$ 231,491
Changes in assets and liabilities:			
(Increase) decrease in receivables	(218)	(185,822)	(186,040)
(Increase) decrease in due from other funds	-	21,839	21,839
Increase (decrease) in accounts payable	28	(8,336)	(8,308)
Increase (decrease) in due to other funds	(25,689)	-	(25,689)
	<u>(25,879)</u>	<u>(172,319)</u>	<u>(198,198)</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 19,334</u>	<u>\$ 13,959</u>	<u>\$ 33,293</u>

See accompanying notes to financial statements.

**COUNTY OF MENOMINEE, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**September 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents:	
Unrestricted	\$ 1,382,417
Due from other governmental units	<u>-</u>
Total assets	<u><u>\$ 1,382,417</u></u>
<b>LIABILITIES</b>	
Due to other funds	\$ 8,000
Due to other governmental units	1,219,193
Other liabilities	<u>155,224</u>
Total liabilities	<u><u>\$ 1,382,417</u></u>

See accompanying notes to financial statements.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Menominee was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Menominee.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Menominee County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has one component unit for which the financial data has been blended with the primary government financial statements.

Menominee County Library - The Menominee County Library is governed by a five-member board appointed by the County Board. Although it is legally separate from the County, the Library is reported as if it were part of the primary government because its primary purpose is to serve the population of Menominee County.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit sections in the Statement of Net Assets and the Statement of Activities include the financial data of the Menominee County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Menominee County Road Commission - The Menominee County Road Commission, which is established pursuant to the County Road law (MCL 224.1), is governed by an elected three member Board of Commissioners. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission may be obtained at the following address:

Menominee County Road Commission  
P.O. Box 527  
Stephenson, Michigan 49887

Joint Ventures - Menominee County is a participant in the following joint ventures:

Twin County Airport - Menominee County participates with Marinette County, Wisconsin, in a joint venture to operate the Twin County Airport located in the City of Menominee, Michigan. The Twin County Airport Commission (TCAC) was created for that purpose. The TCAC is governed by a six member board composed of three appointees from each county. Members from each county are appointed by the chairperson of that county, subject to the approval of the respective county board. Both counties are obligated by agreement to share equally in providing the local funds necessary for the operation and improvement of the airport. Each county maintains a fifty percent equity interest in the net assets of the Airport. During 2005, Menominee County remitted an operating appropriation of \$72,500 to the TCAC. Complete financial statements for the TCAC can be obtained from the TCAC office at 2801 North 22<sup>nd</sup> Street, Menominee, Michigan, 49858.

Pinecrest Medical Care Facility - Menominee County is a participant with Dickinson and Delta Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta-Menominee District Health – Menominee County is a participant with Delta County in a joint venture to operate the Delta-Menominee District Health Department. The Delta-Menominee District Health Department Board was created for that purpose. The Delta-Menominee Health Department is governed by a six member board composed of three members appointed from each county. The Counties are obligated by agreement to a funding formula that requires Menominee County to provide 40% and Delta County 60% of the net budget appropriation requirements. During 2005, Menominee County remitted an operating appropriation of \$155,428 to the Health Department. Complete financial statements for the Delta-Menominee District Health Department can be obtained from the Department's office at 2920 College Avenue, Escanaba, Michigan, 49829.

#### Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Menominee, Dickinson, and Iron Counties entered into an inter-local agreement on October 16, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7, is governed by a twelve member board. The board is made up of five members each from Menominee and Dickinson Counties and two members from Iron County. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$99,608.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies - The accounting policies of the County of Menominee conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve – The Revenue Sharing Reserve fund accounts for the activities related to the passing of Public Act 357 of 2004, which requires the County to place one-third of their December 2004, 2005 and 2006 levy into this fund and transfer a portion of those funds to the General Fund annually until the Revenue Sharing Reserve fund is depleted. The fund was created to supplement the County for the loss of State revenue sharing payments. The amount transferred to the General Fund is determined annually by the State of Michigan.

The County reports the following as major proprietary funds:

P.A. 123 Foreclosure – This fund deals with activity relating to the foreclosure process on parcels of property that have delinquent taxes owed on them.

Delinquent Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

**COUNTY OF MENOMINEE, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the P.A. 123 Foreclosure enterprise fund are fees charged to delinquent property owners as part of the foreclosure process and the sale of parcels of property at the land auction and the principal operating revenues of the Delinquent Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.



# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. During mid-year, County management submits to the County Board a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year will lapse unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the General Fund and special revenue funds.
- d. Expenditures may not exceed appropriations provided in detail budget accounts maintained for each activity of department of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the County Board.
- e. Encumbrance accounting is not used by the County to record commitments related to unperformed contracts for goods or services.
- f. The general Michigan statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1<sup>st</sup>, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The December 2004 taxable valuation of Menominee County amounted to \$479,168,626 on which ad valorem taxes of 7.2584 mills were levied for operations, 1.1287 mills for county road patrol, and .5806 mills for senior citizens programs. The December 2004 tax levy should raise approximately \$3,477,998 for County operating purposes, \$540,838 for road patrol and \$278,205 for senior citizens programs.

In fiscal year 2005, the County is required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy from County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County levied one-third of the property taxes for County operations and these funds will be used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated for County operations, with \$1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the General Fund to cover fiscal year 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property Taxes (continued)

Because County operating mills will be levied on July 1<sup>st</sup> for each fiscal year ended September 30, it is the County of Menominee's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$3,477,891 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$453,006 was transferred for fiscal year 2005. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2012 fiscal year.

Capital Assets – Capital assets, which include property, buildings and equipment assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE B - BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2005 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	Total Appropriation	Expenditures	Budget Variance
Revenue Sharing Reserve	\$ -	\$ 551,548	\$ (551,548)
County Parks	242,250	247,998	(5,748)
Park Improvement	-	423	(423)
Remonumentation	73,481	112,025	(38,544)
Corrections Officers Training	-	2,844	(2,844)
CDBG Wells Fargo	1,000	7,015	(6,015)
Local Emergency Planning	-	29	(29)
Homeland Security Grant	-	15,574	(15,574)

During the year ended September 30, 2005, expenditures were incurred in excess of the amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

Deficit Fund Balances – Deficits existed in the unreserved fund balances of the following funds as of September 30, 2005:

County Road Patrol	\$ 46,764
Remonumentation	49,271
Building Department	9,524
Law Library	8,183
CDBG Housing	1,483
CERT	7,457
Homeland Security Grant	22,404
2004 Homeland Security Grant	173,906
Senior Citizens	1,958
Child Care	37,233
State-Special Child Care	19,395

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - i. The purchase of securities on a when-issued or delayed delivery basis.
  - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
  - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,860. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,130,882	\$ 1,131,222
Uninsured	4,754,590	5,248,113
Total cash	<u>\$ 5,885,472</u>	<u>\$ 6,379,335</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 4,503,055	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	<u>1,382,417</u>	
Total cash and equivalents	<u>\$ 5,885,472</u>	
Investments:		
Non-risk categorized investments:		
External investment pool	<u>\$ 953,327</u>	

# **COUNTY OF MENOMINEE, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$4,754,590 of bank deposits that were uninsured and uncollateralized.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's investment is in a 2a7-like investment pool, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

#### **Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investments in 2a7-like investment pools are not subject to interest rate risk disclosure.

#### **Credit Risk**

State law and the County's investment policy limits the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments are with MBIA in a 2a7-like investment pool, which is not rated.



# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Delinquent Tax Revolving	\$ 197,225
		P.A. 123 Foreclosure	15,576
		County Section 125 Plan	5,000
		Friend of Court Trust	1,000
		Sheriff Inmate Trust	<u>2,000</u>
General Fund	<u>\$ 220,801</u>	Subtotal	<u>220,801</u>
State-Special Child Care	<u>3,688</u>	General Fund	<u>3,688</u>
Road Patrol	<u>5,962</u>	Senior Citizens	<u>5,962</u>
Local Emergency Planning	<u>22,774</u>	Homeland Security Grant	<u>22,774</u>
Total	<u><u>\$ 253,225</u></u>	Total	<u><u>\$ 253,225</u></u>

#### Financial Statement Presentation:

Governmental Funds	\$ 253,225	Governmental Funds	\$ 32,424
Proprietary Funds	-	Proprietary Funds	212,801
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>8,000</u>
Total	<u><u>\$ 253,225</u></u>		<u><u>\$ 253,225</u></u>

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance at 10/01/04	Additions	Disposals	Balance at 09/30/05
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,709	\$ -	\$ -	\$ 193,709
Capital assets being depreciated:				
Land improvements	90,503	-	-	90,503
Buildings and improvements	4,142,553	99,135	-	4,241,688
Machinery and equipment	1,483,387	329,017	86,114	1,726,290
Total capital assets	<u>5,910,152</u>	<u>428,152</u>	<u>86,114</u>	<u>6,252,190</u>
Less accumulated depreciation:				
Land improvements	18,836	2,319	-	21,155
Buildings and improvements	2,170,844	111,436	-	2,282,280
Machinery and equipment	745,143	194,519	62,606	877,056
Total accumulated depreciation	<u>2,934,823</u>	<u>308,274</u>	<u>62,606</u>	<u>3,180,491</u>
Governmental activities capital assets, net	<u>\$ 2,975,329</u>	<u>\$ 119,878</u>	<u>\$ 23,508</u>	<u>\$ 3,071,699</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 2,610
General government	81,953
Public safety	185,435
Health and welfare	381
Recreation and culture	<u>37,895</u>
Total governmental activities depreciation expense	<u>\$ 308,274</u>

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/04	Additions	Disposals	Balance at 09/30/05
Capital assets not being depreciated:				
Land and improvements	\$ 18,100	\$ -	\$ -	\$ 18,100
Capital assets being depreciated:				
Buildings and improvements	1,104,470	-	-	1,104,470
Machinery and equipment	7,255,339	548,382	449,487	7,354,234
Infrastructure - bridges	7,364,109	121,371	(64,084)	7,549,564
Infrastructure - roads	35,710,991	2,635,562	64,084	38,282,469
Total capital assets	<u>51,453,009</u>	<u>3,305,315</u>	<u>449,487</u>	<u>54,308,837</u>
Less accumulated depreciation:				
Buildings and improvements	460,203	25,820	-	486,023
Machinery and equipment	6,035,610	479,437	266,631	6,248,416
Infrastructure - roads	1,930,534	156,685	-	2,087,219
Infrastructure - bridges	14,811,493	1,978,801	-	16,790,294
Total accumulated depreciation	<u>23,237,840</u>	<u>2,640,743</u>	<u>266,631</u>	<u>25,611,952</u>
Capital assets, net	<u>\$ 28,215,169</u>	<u>\$ 664,572</u>	<u>\$ 182,856</u>	<u>\$ 28,696,885</u>

In 2005, the Road Commission has elected to retroactively report infrastructure assets by restating beginning balances for bridges and roads. The Road Commission's beginning net capital assets increased by \$22,858,712, which consisted of increase in bridges of \$4,622,633 (\$6,553,167 in capital assets, less \$1,930,534 accumulated depreciation) and an increase in roads of \$18,236,079 (\$33,047,572 in capital assets, less \$14,811,493 accumulated depreciation).

### NOTE G - LONG - TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2005:

Type of Debt	Balance 10/1/2004	Additions	Deductions	Balance 9/30/2005	Due Within One Year
Governmental activities:					
Note payable - Wells Fargo community development	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Compensated absences	396,953	-	1,572	395,381	116,179
Alternative retirement	260,412	7,026	-	267,438	49,526
Total	<u>\$ 707,365</u>	<u>\$ 7,026</u>	<u>\$ 1,572</u>	<u>\$ 712,819</u>	<u>\$ 165,705</u>

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE G – LONG – TERM DEBT (continued)

During 2003, Wells Fargo loaned the County \$50,000 for the purpose to organize, operate and manage the affairs, property, business and activities of an affordable housing purchase and rehabilitation revolving loan fund throughout the city and county of Menominee. Interest will be calculated at an initial fixed rate of 2% for the first ten years and 3.5% below the then ten year U.S. Treasury note rate for years thereafter. Interest is calculated monthly and payable quarterly. The principal balance of the note is not due until January 2013, however, Wells Fargo is obligated to extend the note for one year if the County satisfactorily performs all of its obligations. Annually thereafter, Wells Fargo has the option of extending the notes maturity date. Repayment of the note principal shall come from loan payment proceeds or the proceeds of the sale of a grantee's home. The County is under no obligation to repay loan funds from tax generated monies. The following is a summary of the required debt service payments.

For the Year Ending September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2005	\$ -	\$ 1,000
2006	-	1,000
2007	-	1,000
2008	-	1,000
2009	-	1,000
2010-2013	50,000	4,000
Total	\$ 50,000	\$ 9,000

Accrued Vacation and Sick Liability – Employees earn annual vacation and sick leave days per year based on the number of years of service up to a maximum. Annual vacation and sick leave days are based on the various labor union contract terms and administrative policies of the different County operating units. An accrued liability for vacation and sick time in the amount of \$395,381 has been recorded in the statement of net asset under governmental activities.

Alternative Retirement – The County offers an alternative retirement payout to any employee who terminates his/her employment with the County, who has not met the requirements to vest in the Municipal Employees Retirement System (MERS) retirement plan.

Under the payout plan, the County will pay employees 100% of employee contributions to MERS and 4% of their current annual gross wages times the number of years worked under this plan.

At September 30, 2005, an accrued liability in the amount of \$267,438 was recorded under governmental activities in the statement of net assets.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

**NOTE H - ROAD COMMISSION LONG-TERM DEBT**

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2004	Additions	Deductions	Balance 9/30/2005
Compensated Absences	\$ 284,073	\$ 3,164	\$ -	\$ 287,237

Vacation Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee. Road Commission policy provides that the vacation benefits earned in the current calendar year are to be paid to the employee in the subsequent calendar year.

Sick Leave Benefits

Effective January 1, 2005, each regular full-time employee receives 56 hours of sick leave. There is no limitation on the accumulation of unused sick leave time. Upon retirement or voluntary termination with 20 years of service and proper notice, employees who were hired before September 1, 1982 shall be paid 100% of their accumulated unused sick leave, up to a maximum of 480 hours. Employees hired after September 1, 1982, shall be paid 50% of their accumulated sick leave, up to a maximum of 120 hours.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE J - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs and are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 672,089	\$ 706,314
Revenue Sharing Reserve	-	453,006
Road Patrol	100,987	-
County Parks	96,762	-
Park Improvement	10,000	-
Building Department	25,425	-
SET Collection	-	6,282
Law Library	14,500	-
County Library	251,640	-
Child Care	149,750	-
State-Special Child Care	57,250	-
Enterprise Funds:		
P.A. 123 Foreclosure	-	15,576
Delinquent Tax Revolving	-	197,225
Total	<u>\$ 1,378,403</u>	<u>\$ 1,378,403</u>

### NOTE K - RETIREMENT PLANS

#### General County

Plan Description - The General County and the County Road Commission (discretely presented component unit) participate in a defined benefit retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE K – RETIREMENT PLANS (continued)

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - The General County offers its various departments benefit B-3 with the exception of the County Library employees who have benefit C-1 Old. Under benefit B-3 employees shall receive 2.25% of their three-year final average compensation, with a maximum benefit of 80% of their three year final average compensation. Under benefit C-1 Old, an employee shall receive a benefit of 1.2% times the first \$4,200 of their three year final average compensation plus 1.7% times the portion of their three year final average compensation over \$4,200. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE K – RETIREMENT PLANS (continued)

#### GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,655,305
Terminated employees not yet receiving benefits	591,227
Non-vested terminated employees	18,222
Current Employees:	
Accumulated employee contributions including allocated investment income	397,010
Employer financed	6,412,820
Total actuarial accrued liability	12,074,584
Net assets available for benefits, at actuarial value (market value is \$8,796,665 )	9,011,875
Unfunded (overfunded) actuarial accrued liability	\$ 3,062,709

#### GASB 27 INFORMATION (as of 12/31/04)

Fiscal year beginning	October 1, 2006
Annual required contribution (ARC)	\$ 491,952
Amortization factor used	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 355,736	100%	\$ -
2003	399,878	100%	-
2004	423,305	100%	-

The General County was required to contribute \$495,582 and employee contributions were \$47,798 for the year ended September 30, 2005. Payments were based on contribution calculations made by MERS.



# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE K - RETIREMENT PLANS (continued)

#### Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 7,716,588	\$ 10,062,447	\$ 2,345,859	77%	\$ 3,007,512	78%
2003	8,397,878	10,956,126	2,558,248	77%	3,158,331	81%
2004	9,011,875	12,074,584	3,062,709	75%	3,157,432	97%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Employer Contribution Percentage			Member Contribution Percentage		
	2006 *	2005 *	2004 *	2006	2005	2004
Airport Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Sheriff Nonunion	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Courthouse	14.14%	14.18%	12.96%	0.00%	0.00%	0.00%
Library Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Buildings & Grounds Super	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Courthouse Employees	14.92%	15.86%	15.39%	1.50%	1.50%	1.50%
Sheriff Local 328	15.16%	13.66%	13.33%	2.30%	2.30%	2.30%
Undersheriff	46.23%	7.54%	7.85%	0.00%	0.00%	0.00%

\* Represents the actuarial required contribution for the fiscal year ended.

#### **County Road Commission (component unit)**

The Menominee County Road Commission has two pension plans: the American Express Financial Simplified Employee Pension Plan for its full-time employees, and the Michigan Employees' Retirement System for its full-time nonunion employees.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE K - RETIREMENT PLANS (continued)

#### Union Employees' Plan – Profit Sharing Plan

All union employees were covered under a defined contribution pension plan with the American Express Financial Simplified Employee Pension Plan (effective January 1, 2000). The plan administrator is the Road Commission, who has established a trust fund administered by American Express Financial Advisors, Inc. During the fiscal year ended September 30, 2004, the Menominee County Road Commission's required and actual contributions amounted to \$121,356. Pension fund contributions are based on a fixed weekly rate for each employee covered by the collective bargaining agreement. The Road Commission's weekly contribution for each union employee was \$60. There were 40 union employees covered under this plan during 2004. The most recent period for which the value of the plan assets were available was for the fiscal year ended September 30, 2004.

#### Nonunion Employees Plan – Description of Plan and Plan Assets

The Menominee County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% time the final average compensation (FAC) for all general employees and 2.5% of the FAC for the manager and supervisors. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2004.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 18.19% for general employees and 21.80% for the manager for the calendar year ending December 31, 2004.

Annual Pension Cost – During the calendar year ended December 31, 2004, the Road Commission's contributions totaling \$116,273 were made in accordance with the contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8%, annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases and the assumption that benefits will increase 2.5% per year (annually) after retirement.

# COUNTY OF MENOMINEE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2005

### NOTE K - RETIREMENT PLANS (continued)

#### Three Year Trend Information for GASB Statement No. 27

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2002	\$ 94,937	100%	\$ -
2003	107,998	100%	-
2004	116,273	100%	-

#### Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2002	\$ 1,708,537	\$ 2,611,542	\$ 903,005	65%	\$ 551,559	164%
2003	1,855,858	2,773,670	917,812	67%	557,716	165%
2004	1,999,441	3,095,555	1,096,114	65%	602,077	182%

### NOTE M - FUND EQUITY DESIGNATIONS/RESERVES

A. Fund equity has been designated in the General Fund as follows:

Building projects	\$ 2,506,000
Prisoner board	211,667
District court - computer	28,708
Economic development	40,000
Marriage counseling	9,084
Park improvement	20,000
Library	20,000
Total	<u>\$ 2,835,459</u>

B. Fund equity has been reserved for the following purposes:

- Fund balance of \$17,540 has been reserved in the Road Patrol fund for grant monies received for the purchase of a patrol car, which was not delivered until the 2006 fiscal year.
- Fund balance of \$2,159 has been reserved in the Library Bequest fund as the unexpendable portion of fund balance.

# **COUNTY OF MENOMINEE, MICHIGAN**

## **NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**

### **NOTE N - CONTINGENT LIABILITIES**

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

### **NOTE O - RISK MANAGEMENT**

The County of Menominee participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insurance retention limits along with certain other member specific costs.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance. At September 30, 2005, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**COUNTY OF MENOMINEE, MICHIGAN  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 3,700,223	\$ 3,700,223	\$ 3,631,214	\$ (69,009)
License and permits	6,500	6,500	7,498	998
Federal sources	353,526	353,526	310,871	(42,655)
State sources	925,964	925,964	657,378	(268,586)
Charges for services	682,280	643,072	678,196	35,124
Fines, forfeitures and penalties	95,400	95,400	79,799	(15,601)
Interest and rentals	50,996	50,996	128,414	77,418
Other	27,240	31,740	82,364	50,624
Total revenues	5,842,129	5,807,421	5,575,734	(231,687)
<b>EXPENDITURES:</b>				
Legislative	237,407	261,407	249,687	11,720
Judicial system:				
Circuit court	187,594	187,594	187,952	(358)
Family court	275,104	275,104	255,562	19,542
District court	465,481	474,576	440,145	34,431
Friend of court	314,026	314,026	298,303	15,723
Jury commission	4,712	4,712	5,583	(871)
Probate court	111,224	111,224	107,589	3,635
General government:				
Elections	18,830	23,330	28,363	(5,033)
Board of canvassers	750	1,010	2,701	(1,691)
Audit	-	-	28,500	(28,500)
Legal fees	10,000	10,000	7,021	2,979
Clerk	326,531	326,531	312,152	14,379
Administration	156,277	156,278	148,821	7,457
Equalization	171,449	171,449	157,289	14,160
Prosecuting attorney	381,045	381,045	374,803	6,242
Register of deeds	115,819	115,819	109,270	6,549
Treasurer	202,891	207,175	201,807	5,368
Cooperative extension	140,313	140,313	105,302	35,011
Buildings and grounds	336,698	336,698	344,009	(7,311)
Drain commissioner	539	539	500	39
Airport commission	72,500	72,500	80,347	(7,847)
Planning commission	950	950	512	438
Public safety:				
Sheriff and jail	1,607,092	1,652,520	1,602,158	50,362
ORV	8,456	8,456	1,684	6,772
Marine safety	15,706	15,706	12,145	3,561
Snowmobile law	7,659	7,659	2,079	5,580
Civil defense and emergency service	55,753	55,753	53,331	2,422
Neighborhood family center	2,500	2,500	2,500	-
ATV education	8,806	8,806	(644)	9,450
Animal shelter	2,500	2,500	2,500	-
Health and welfare:				
Hazardous waste	16,600	16,600	13,922	2,678
Medical examiner	37,550	37,550	37,161	389
Veterans burial and relief	13,680	13,680	8,080	5,600
Veterans affairs	57,331	57,331	55,915	1,416
Delta-Menominee Health Department	144,363	144,363	149,022	(4,659)
Cigarette tax distribution	54,118	54,118	10,281	43,837
Mental health	99,608	99,608	99,608	-
Rescue squads	10,000	10,000	10,000	-
Convention facility tax	-	-	22,339	(22,339)
Rainbow house	2,500	2,500	2,500	-
Family Independence Agency	-	-	9,000	(9,000)
Recreation and culture	12,806	12,806	12,806	-
Community and economic development	20,000	20,000	20,000	-
Capital outlay	-	-	62,416	(62,416)
Other - appropriations	-	-	133	(133)
Total expenditures	5,707,168	5,794,736	5,635,154	159,582
Excess revenues (expenditures)	134,961	12,685	(59,420)	(72,105)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	197,225	197,225	672,089	474,864
Transfer out	(706,314)	(706,314)	(706,314)	-
Total other financing sources (uses)	(509,089)	(509,089)	(34,225)	474,864
Net changes in fund balances	(374,128)	(496,404)	(93,645)	402,759
Fund balances - beginning	3,947,523	3,947,523	3,947,523	3,947,523
Fund balances - ending	\$ 3,573,395	\$ 3,451,119	\$ 3,853,878	\$ 4,350,282

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVENUE SHARING RESERVE**  
**For the Year Ended September 30, 2005**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 1,159,297	\$ 1,159,297
Interest	-	-	14,064	14,064
Total revenues	-	-	1,173,361	1,173,361
<b>EXPENDITURES:</b>				
General government	-	-	98,542	(98,542)
Excess revenues (expenditures)	-	-	1,074,819	1,074,819
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	-	-	(453,006)	(453,006)
Net changes in fund balances	-	-	621,813	621,813
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 621,813	\$ 621,813

**COMBINING FUND FINANCIAL STATEMENTS**



**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	Special Revenue Funds			
	Road Patrol	County Parks	Friend of Court	Park Improvement
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ (4,867)	\$ 19,769	\$ 10,234	\$ 28,441
Receivables:				
Accounts	1,119	-	-	-
Due from other funds	5,962	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	2,964	-	-
	<u>-</u>	<u>2,964</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,214</u>	<u>\$ 22,733</u>	<u>\$ 10,234</u>	<u>\$ 28,441</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 24,580	\$ 11,131	\$ -	\$ -
Accrued payroll	6,858	1,764	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	3,612	-	-
	<u>-</u>	<u>3,612</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>31,438</u>	<u>16,507</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	(46,764)	6,226	10,234	28,441
Reserved	17,540	-	-	-
	<u>17,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(29,224)</u>	<u>6,226</u>	<u>10,234</u>	<u>28,441</u>
Total liabilities and fund balances	<u>\$ 2,214</u>	<u>\$ 22,733</u>	<u>\$ 10,234</u>	<u>\$ 28,441</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>Remonu- mentation</u>	<u>Building Department</u>	<u>SET Collection</u>	<u>ROD Automation</u>	<u>Corrections Officers Training</u>	<u>Drug Law Enforcement</u>	<u>911 Program</u>
\$ (41,977)	\$ (10,032)	\$ -	\$ 3,684	\$ 8,256	\$ 5,056	\$ 156,359
-	1,611	-	-	800	-	20,198
-	-	-	-	-	-	-
-	-	-	-	-	-	26,350
-	965	-	-	-	-	6,013
<u>\$ (41,977)</u>	<u>\$ (7,456)</u>	<u>\$ -</u>	<u>\$ 3,684</u>	<u>\$ 9,056</u>	<u>\$ 5,056</u>	<u>\$ 208,920</u>
\$ 7,294	\$ 1,276	\$ -	\$ -	\$ 223	\$ -	\$ 6,046
-	792	-	151	-	-	4,813
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,294</u>	<u>2,068</u>	<u>-</u>	<u>151</u>	<u>223</u>	<u>-</u>	<u>10,859</u>
(49,271)	(9,524)	-	3,533	8,833	5,056	198,061
-	-	-	-	-	-	-
<u>(49,271)</u>	<u>(9,524)</u>	<u>-</u>	<u>3,533</u>	<u>8,833</u>	<u>5,056</u>	<u>198,061</u>
<u>\$ (41,977)</u>	<u>\$ (7,456)</u>	<u>\$ -</u>	<u>\$ 3,684</u>	<u>\$ 9,056</u>	<u>\$ 5,056</u>	<u>\$ 208,920</u>

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	Special Revenue Funds			
	Law Library	County Library	CDBG Wells Fargo	CDBG Housing
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 982	\$ 69,090	\$ 44,213	\$ 4,004
Receivables:				
Accounts	-	60	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	5,421	-	-
Total assets	<u>\$ 982</u>	<u>\$ 74,571</u>	<u>\$ 44,213</u>	<u>\$ 4,004</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 9,165	\$ 3,699	\$ -	\$ 5,487
Accrued payroll	-	3,366	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>9,165</u>	<u>7,065</u>	<u>-</u>	<u>5,487</u>
Fund balances:				
Unreserved:				
Undesignated	(8,183)	67,506	44,213	(1,483)
Reserved	-	-	-	-
Total fund balances	<u>(8,183)</u>	<u>67,506</u>	<u>44,213</u>	<u>(1,483)</u>
Total liabilities and fund balances	<u>\$ 982</u>	<u>\$ 74,571</u>	<u>\$ 44,213</u>	<u>\$ 4,004</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>CERT</u>	<u>Local Emergency Planning</u>	<u>Homeland Security Grant</u>	<u>2004 Homeland Security Grant</u>	<u>Canteen</u>	<u>K-9</u>	<u>Senior Citizens</u>
\$ (7,457)	\$ (22,141)	\$ (7,130)	\$ (173,906)	\$ 31,214	\$ 3,498	\$ 4,004
-	-	-	-	581	-	-
-	22,774	-	-	-	-	-
-	-	7,500	-	-	-	-
-	-	-	-	-	-	-
<u>\$ (7,457)</u>	<u>\$ 633</u>	<u>\$ 370</u>	<u>\$ (173,906)</u>	<u>\$ 31,795</u>	<u>\$ 3,498</u>	<u>\$ 4,004</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	22,774	-	-	-	5,962
-	-	-	-	-	-	-
-	-	22,774	-	-	-	5,962
(7,457)	633	(22,404)	(173,906)	31,795	3,498	(1,958)
-	-	-	-	-	-	-
(7,457)	633	(22,404)	(173,906)	31,795	3,498	(1,958)
<u>\$ (7,457)</u>	<u>\$ 633</u>	<u>\$ 370</u>	<u>\$ (173,906)</u>	<u>\$ 31,795</u>	<u>\$ 3,498</u>	<u>\$ 4,004</u>

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**September 30, 2005**

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>
	<u>Child Care</u>	<u>Veterans Trust</u>	<u>State-Special Child Care</u>	<u>Library Bequest</u>
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ (18,106)	\$ 353	\$ (25,462)	\$ 2,159
Receivables:				
Accounts	-	-	8,219	-
Due from other funds	-	-	3,688	-
Due from State of Michigan	-	-	4,278	-
Prepaid expense	-	-	965	-
	<u>-</u>	<u>-</u>	<u>965</u>	<u>-</u>
Total assets	<u>\$ (18,106)</u>	<u>\$ 353</u>	<u>\$ (8,312)</u>	<u>\$ 2,159</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 19,127	\$ -	\$ 8,692	\$ -
Accrued payroll	-	-	2,391	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,127</u>	<u>-</u>	<u>11,083</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	(37,233)	353	(19,395)	-
Reserved	-	-	-	2,159
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,159</u>
Total fund balances	<u>(37,233)</u>	<u>353</u>	<u>(19,395)</u>	<u>2,159</u>
Total liabilities and fund balances	<u>\$ (18,106)</u>	<u>\$ 353</u>	<u>\$ (8,312)</u>	<u>\$ 2,159</u>

See accompanying notes to financial statements.

Total  
Nonmajor  
Governmental  
Funds

---

\$ 80,238

32,588

32,424

38,128

16,328

---

\$ 199,706

\$ 96,720

20,135

28,736

3,612

---

149,203

30,804

19,699

---

50,503

\$ 199,706

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Special Revenue Funds			
	Road Patrol	County Parks	Friend of Court	Park Improvement
<b>REVENUES:</b>				
Taxes	\$ 559,402	\$ -	\$ -	\$ -
Federal sources	2,325	-	-	-
State sources	72,532	-	-	-
Local sources	60,316	12,000	-	-
Charges for services	-	152,977	7,530	4,738
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	-
Other	548	5,191	60	-
Total revenues	695,123	170,168	7,590	4,738
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	769,272	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	246,392	-	-
Capital outlay	41,430	1,606	-	423
Total expenditures	810,702	247,998	-	423
Excess revenues (expenditures)	(115,579)	(77,830)	7,590	4,315
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	100,987	96,762	-	10,000
Transfer out	-	-	-	-
Total other financing sources (uses)	100,987	96,762	-	10,000
Net changes in fund balance	(14,592)	18,932	7,590	14,315
Fund balances - beginning	(14,632)	(12,706)	2,644	14,126
Fund balances - ending	\$ (29,224)	\$ 6,226	\$ 10,234	\$ 28,441

See accompanying notes to financial statements.

Special Revenue Funds

Remonu- mentation	Building Department	SET Collection	ROD Automation	Corrections Officers Training	Drug Law Enforcement	911 Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
66,969	-	-	-	-	-	99,936
-	-	-	-	-	-	-
-	72,569	83	34,145	11,677	-	349,857
-	-	-	-	-	520	-
-	-	-	-	-	-	-
-	-	-	-	-	-	171
<u>66,969</u>	<u>72,569</u>	<u>83</u>	<u>34,145</u>	<u>11,677</u>	<u>520</u>	<u>449,964</u>
-	-	-	-	-	-	-
112,025	85,670	83	11,696	-	-	-
-	-	-	-	2,844	1,999	495,754
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	23,225	-	-	449
<u>112,025</u>	<u>85,670</u>	<u>83</u>	<u>34,921</u>	<u>2,844</u>	<u>1,999</u>	<u>496,203</u>
<u>(45,056)</u>	<u>(13,101)</u>	<u>-</u>	<u>(776)</u>	<u>8,833</u>	<u>(1,479)</u>	<u>(46,239)</u>
-	25,425	-	-	-	-	-
-	-	(6,282)	-	-	-	-
<u>-</u>	<u>25,425</u>	<u>(6,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(45,056)	12,324	(6,282)	(776)	8,833	(1,479)	(46,239)
(4,215)	(21,848)	6,282	4,309	-	6,535	244,300
<u>\$ (49,271)</u>	<u>\$ (9,524)</u>	<u>\$ -</u>	<u>\$ 3,533</u>	<u>\$ 8,833</u>	<u>\$ 5,056</u>	<u>\$ 198,061</u>



**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Special Revenue Funds			
	Law Library	County Library	CDBG Wells Fargo	CDBG Housing
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	14,280	-	167,000
Local sources	-	1,000	-	32,154
Charges for services	-	-	-	-
Fines, forfeitures and penalties	3,500	90,661	-	-
Interest and rentals	-	-	-	-
Other	-	14,805	2,125	-
Total revenues	3,500	120,746	2,125	199,154
<b>EXPENDITURES:</b>				
Judicial system	16,361	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	7,015	209,522
Recreation and culture	-	358,714	-	-
Capital outlay	-	-	-	-
Total expenditures	16,361	358,714	7,015	209,522
Excess revenues (expenditures)	(12,861)	(237,968)	(4,890)	(10,368)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	14,500	251,640	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	14,500	251,640	-	-
Net changes in fund balance	1,639	13,672	(4,890)	(10,368)
Fund balances - beginning	(9,822)	53,834	49,103	8,885
Fund balances - ending	\$ (8,183)	\$ 67,506	\$ 44,213	\$ (1,483)

See accompanying notes to financial statements.

Special Revenue Funds

CERT	Local Emergency Planning	Homeland Security Grant	2004 Homeland Security Grant	Canteen	K-9	Senior Citizens
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,124
-	-	20,100	-	-	-	-
13,122	-	-	-	-	-	-
-	-	-	-	6,878	5,270	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,898	-	-
-	-	-	-	-	-	-
13,122	-	20,100	-	8,776	5,270	265,124
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,800	29	23,090	1,187	830	1,772	-
-	-	-	-	-	-	271,607
-	-	-	-	-	-	-
18,779	-	15,574	172,719	-	-	-
20,579	29	38,664	173,906	830	1,772	271,607
(7,457)	(29)	(18,564)	(173,906)	7,946	3,498	(6,483)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(7,457)	(29)	(18,564)	(173,906)	7,946	3,498	(6,483)
-	662	(3,840)	-	23,849	-	4,525
\$ (7,457)	\$ 633	\$ (22,404)	\$ (173,906)	\$ 31,795	\$ 3,498	\$ (1,958)

**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2005**

	Special Revenue Funds			Permanent Fund
	Child Care	Veterans Trust	State-Special Child Care	Library Bequest
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	69,881	-
State sources	15,709	537	78,102	-
Local sources	3,945	-	205	-
Charges for services	19,727	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	37
Other	831	-	-	-
Total revenues	40,212	537	148,188	37
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	177,802	549	194,792	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	177,802	549	194,792	-
Excess revenues (expenditures)	(137,590)	(12)	(46,604)	37
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	149,750	-	57,250	-
Transfer out	-	-	-	-
Total other financing sources (uses)	149,750	-	57,250	-
Net changes in fund balance	12,160	(12)	10,646	37
Fund balances - beginning	(49,393)	365	(30,041)	2,122
Fund balances - ending	\$ (37,233)	\$ 353	\$ (19,395)	\$ 2,159

See accompanying notes to financial statements.

Total  
Nonmajor  
Governmental  
Funds

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\$	824,526
	92,306
	528,187
	121,768
	653,303
	94,681
	1,935
	23,731

---

2,340,437

---

	16,361
	209,474
	1,298,577
	861,287
	605,106
	274,205

---

3,265,010

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(924,573)

---

	706,314
	(6,282)

---

700,032

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(224,541)

275,044

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\$	50,503
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**COUNTY OF MENOMINEE, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**September 30, 2005**

	General Trust and Agency	County Section 125 Plan	Payroll Trust	Library Penal Fines
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 1,218,688	\$ 11,824	\$ 63,288	\$ 42,548
Due from other governmental units	-	-	-	-
Total assets	<u>1,218,688</u>	<u>11,824</u>	<u>63,288</u>	<u>42,548</u>
<b>LIABILITIES</b>				
Due to other funds	-	5,000	-	-
Due to other governmental units	1,202,446	-	16,747	-
Other liabilities	<u>16,242</u>	<u>6,824</u>	<u>46,541</u>	<u>42,548</u>
Total liabilities	<u>\$ 1,218,688</u>	<u>\$ 11,824</u>	<u>\$ 63,288</u>	<u>\$ 42,548</u>

See accompanying notes to financial statements.

District Court Bonds Payable	Friend of Court Trust	Sheriff Inmate Trust	Totals
\$ 20,995	\$ 10,888	\$ 14,186	\$ 1,382,417
-	-	-	-
20,995	10,888	14,186	1,382,417
-	1,000	2,000	8,000
-	-	-	1,219,193
20,995	9,888	12,186	155,224
\$ 20,995	\$ 10,888	\$ 14,186	\$ 1,382,417

## **SINGLE AUDIT**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA  
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**AND ON COMPLIANCE AND OTHER MATTERS BASED**  
**ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board of Commissioners  
County of Menominee  
Menominee, Michigan 49858

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Menominee, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the County of Menominee, Michigan's basic financial statements and have issued our report thereon dated January 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Menominee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Members of the Board of Commissioners  
County of Menominee

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Menominee, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

However, we noted certain matters that we have reported to management of the County of Menominee, Michigan, in a separate letter dated January 25, 2006.

This report is intended solely for the information of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

January 25, 2006



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM**  
**AND INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Commissioners  
County of Menominee  
Menominee, Michigan 49858

Compliance

We have audited the compliance of the County of Menominee, Michigan with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2005. County of Menominee, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County of Menominee, Michigan's management. Our responsibility is to express an opinion on County of Menominee, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Menominee, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Menominee, Michigan's compliance with those requirements.

In our opinion, the County of Menominee, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Members of the Board of Commissioners  
County of Menominee

Internal Control Over Compliance

The management of the County of Menominee, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Menominee, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.L.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

January 25, 2006

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2005**

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:			
Passed through State of Michigan Family Independence Agency:			
Juvenile Accountability Incentive Grant	16.523	JABGN 05-55001	\$ 31,289
U.S. Department of Health and Human Services:			
Passed through State of Michigan Family Independence Agency:			
Child Support Enforcement	93.563	CSPA-05-55002	44,216
Child Support Enforcement	93.563	CSFOC-05-55001	204,416
Child Support Enforcement	93.563	CSMED-05-55001	2,572
Friend of Court - Federal Incentives	93.563	-	52,740
TANF	93.558	SFSC-05-55001	22,188
Promoting Safe and Stable Families	93.556	SFSC-05-55001	14,336
Total U.S. Department of Health and Human Services			340,468
U.S. Department of Homeland Security:			
Passed through the Michigan State Police:			
2003 State Homeland Security Grant	97.004	-	9,000
2003 State Homeland Security Grant - SAP	97.004	-	12,600
2003 State Homeland Security Grant -Training	97.004	-	4,990
2004 Homeland Security Grant	97.004	-	172,719
Emergency Management Performance Grant	97.067	-	19,843
Total U.S. Department of Homeland Security			219,152
 TOTAL FEDERAL EXPENDITURES			 \$ 590,909

See accompanying notes to the schedule of expenditures of federal awards.

**COUNTY OF MENOMINEE, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2005**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Health and Human Services is the current year's oversight agency for single audit as determined by the agency providing the largest share of federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

**NOTE C – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS**

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

**NOTE D – FEDERAL REVENUE RECONCILIATION**

Federal revenue per governmental fund financial statements	\$ 403,177
Federal expenditures per schedule of expenditures of federal award	<u>590,909</u>
Difference	<u>(187,732)</u>
Expenditures reported on the schedule of expenditures of federal awards which were not accrued as revenue due to modified accrual	<u>187,732</u>
Reconciled difference	<u><u>\$ -</u></u>

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Menominee, Michigan.
2. There were no reportable conditions disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Menominee, Michigan disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal programs to be reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Menominee, Michigan expresses an unqualified opinion.
6. There were no audit findings relative to the major federal programs for the County of Menominee.
7. The programs tested as major programs included:
  - Child Support Enforcement CFDA #93.563
  - Federal Incentives CFDA #93.563
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Menominee, Michigan was determined not to be a low-risk auditee.

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2005**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

2005-1

*Statement of Condition/Criteria:* Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended September 30, 2005, the County incurred expenditures in excess of amounts appropriated as follows:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Revenue Sharing Reserve	\$ -	\$ 551,548	\$ (551,548)
County Parks	242,250	247,998	(5,748)
Park Improvement	-	423	(423)
Re monumentation	73,481	112,025	(38,544)
Corrections Officers Training	-	2,844	(2,844)
CDBG Wells Fargo	1,000	7,015	(6,015)
Local Emergency Planning	-	29	(29)
Homeland Security Grant	-	15,574	(15,574)

During the year ended September 30, 2005, expenditures were incurred in excess of the amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

*Effect:* The County has not complied with various State statutes.

*Cause of Condition:* Budget amendments were not made prior to the expenditure of funds.

*Recommendation:* Budget amendments should be made prior to the expenditure of funds.

*Status:* Management will review budgets monthly and make amendments as deemed necessary.

**COUNTY OF MENOMINEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None



**COUNTY OF MENOMINEE, MICHIGAN**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2005**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

**COUNTY OF MENOMINEE, MICHIGAN**

**REPORT TO MANAGEMENT**

**Year Ended September 30, 2005**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

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Christina A. Smigowski, CPA

## **REPORT TO MANAGEMENT**

Members of the Board of Commissioners  
County of Menominee, Michigan

We have audited the financial statements of the County of Menominee, Michigan for the year ended September 30, 2005, and have issued our reports thereon dated January 25, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered County of Menominee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Menominee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Menominee, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Menominee, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Menominee, Michigan's compliance with those requirements.

### Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Menominee, Michigan are described in Note A of the financial statements. We noted no transactions entered into by the County of Menominee, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures, and to reclassify posting errors.

### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Menominee, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menominee's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the County of Menominee, Michigan, for the year ended September 30, 2005, we considered the County of Menominee, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated January 25, 2006, on the financial statements of the County of Menominee, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Menominee County Board of Commissioners, management and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

January 25, 2006

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

September 30, 2005

**Budget Violations**

**Comment:**

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2005, there were various funds where expenditures exceeded appropriations. It was also noted that several funds had a deficit fund balance.

**Recommendation:**

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury for funds in a deficit fund balance position.

**Management Response:**

Accounts were monitored on a monthly basis by department heads, the monthly reports distributed are now up to date and monitored by the Administrator as well.

**Improper Account Classification**

**Comment:**

We noted several instances in which amounts were receipted into incorrect line items or funds.

**Recommendation:**

Caution should be taken in the account coding and posting process to make certain each receipt is properly classified into the appropriate line item in order to maintain comparability from year to year and budgetary control.

**Management Response:**

The Treasurer's Office is now having the receipts checked by two different individuals.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2005**

**Friend of Court Trust Account**

**Comment:**

The Friend of Court Trust bank account, which was used on the old system, has not been reconciled since July 2003 and maintained a balance of \$9,907 as of September 30, 2005.

**Recommendation:**

In order to ensure adequate control over cash, this account should be reconciled and all amounts that can be, should be escheated to the State of Michigan.

**Management Response:**

We have been unable to reconcile this account since the conversion to MICSES on August 1, 2003. There is a possibility that some of the money will not be able to be identified and will have to be escheated to the State of Michigan. There is a possibility that some of the money will be able to be identified as money to one of our active accounts (where they did not cash a check and then we would be able to issue the money to the proper account.) Until we receive an accurate outstanding check register from the state we will not be able to properly reconcile the account. We have an open call in asking for the register, but this is not a top priority at the state level. The Friend of the Court has followed up on this, but still unable to get results.

**Inmate Trust Bank Account**

**Comment:**

We noted several checks in the inmate trust account which were over one year old.

**Recommendation:**

We recommend these outstanding checks be escheated to the State of Michigan. The Sheriffs department may also consider establishing a petty cash drawer at the jail and pay inmates with balances of \$5 or less in cash to avoid issuing checks for small amounts that typically do not get cashed.

**Management Response:**

Inmates will be instructed to contact the Dept. during administrative hours to receive a cash balance less than \$5.00. This will be taken from petty cash. If an inmate does not return within 6 months of release to pick up the cash balance, a check will then be issued to them with instruction to cash within a designated amount of time. Any outstanding checks will be escheated to the State of Michigan.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2005**

**Accounts Receivable Reconciliation**

**Comment:**

During our testing of the Delinquent Tax Revolving Fund we noted that the accounts receivable balance for charge backs was not reconciled.

**Recommendation:**

To improve internal controls over accounts receivable, an individual should reconcile these types of accounts on a monthly basis to ensure that the activity is being recorded properly.

**Management Response:**

The accounts receivable and payable that the Treasurer's Office is responsible for, will be balanced on a monthly basis.

**Prisoner Board**

**Comment:**

During our discussion with Sheriffs department personnel regarding the tracking and collection of prisoner board outstanding balances, we noted that there was no written policies or procedures for collection of these amounts.

**Recommendation:**

The County should develop written policies and procedures regarding the collection of these outstanding prisoner board balances to strengthen the internal controls over the collection of these amounts.

**Management Response:**

We turn uncollected prisoner board outstanding balances over to a collection agency. We presently have a college intern assisting with this process. This process is very time consuming.



**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2005**

**Journal Entries**

**Comment:**

We noted that not all journal entries presented to the Clerk's office include account number, account description, amount, date, and department head signature.

**Recommendation:**

We recommend that a standard journal entry form be used for each journal entry presented to the Clerk's office for entry into the general ledger and that all journal entries be reviewed and approved by a second individual.

**Management Response:**

This process has been implemented. The journal entries from the treasurer's office is the same journal entry form used by the treasurers office when it did the general ledger.

**Bank Reconciliations**

**Comment:**

We noted that bank reconciliation's are not being performed timely and they are not being performed by the County Treasurer. It was also brought to our attention that there is an unresolved cash variance of \$5,715.

**Recommendation:**

Bank reconciliation's are an integral part of the internal controls and should be completed by the end of the subsequent month. The County Treasurer is the custodian of the County's funds, therefore, an individual in the Treasurers office who does not physically handle the cash should perform the bank reconciliation's.

**Management Response:**

The Treasurer's office is following this recommendation.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2005**

**Unrecorded Interest Earnings**

**Comment:**

We noted interest earnings on a CD for one-quarter had not been recorded in the general ledger.

**Recommendation:**

During the bank reconciliation process these types of differences should be detected and accounted for in the general ledger.

**Management Response:**

This will be corrected and a much closer watch will be kept. The person hired was thought to have balanced and found later that was not the case.

**Timely Receipting of State Payments**

**Comment:**

We noted that electronic payments received from the State of Michigan are not being timely receipted in the general ledger.

**Recommendation:**

All monies received by the County should be receipted into the general ledger in a timely manner to strengthen the internal controls over the County's cash.

**Management Response:**

The EFT payments are now being receipted directly to the general ledger by the cash receipt program.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2005**

**Untimely Distribution of Taxes**

**Comment:**

We noted that state education taxes collected by the County from April to June had not been distributed as of the date of our auditor's report.

**Recommendation:**

In accordance with MCL 211.43, "units with SEV of more than \$15,000,000 must distribute tax collections (on hand) within 10 business days after the 1<sup>st</sup> and 15<sup>th</sup> day of each month."

**Management Response:**

This has been corrected and the recommendation will be followed.

**Unpaid 2003 CFR Funds**

**Comment:**

We noted in the General Trust and Agency fund that there are unpaid 2003 CFR monies.

**Recommendation:**

The unpaid balance of the 2003 CFR monies should be investigated and distributed to the appropriate governmental unit.

**Management Response:**

This matter was investigated and the funds were distributed.

**COUNTY OF MENOMINEE, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2005**

**Homeland Security Grants**

**Comment:**

1. During our review of the 2003 Homeland Security Grant we noted that communication equipment for the Sheriffs department was charge to this grant in the County's general ledger but was not included as a reimbursed expense of the grant.
2. We also noted during our review of the Homeland Security Grants that not all of them are being reconciled to ensure expenditures are properly being charged to the grants and what the current status of the grant is.

**Recommendation:**

1. It appears that the Sheriff department communication equipment was not included in the grant as a reimbursable expenditure and the grant funds were expended on other items. The County should transfer funds into the Homeland Security fund to cover the cost of the communication equipment.
2. Each grant received by the County should be reconciled on a regular basis to ensure that the grant funds are being used as intended and to ensure that they are properly accounted for.

**Management Response:**

Any deficit will be reconciled and all grants will be reconciled by the emergency services coordinator for compliance and reimbursement.